

Lyaf
11/23/92

PHILIP MORRIS COMPANIES INC. **INTER-OFF**
120 PARK AVENUE

COPY: JAMISON/HARPER/KRIVA
McCONNELL/MARTIN/~~MEYER~~
NARRON/NEWMAN/NIENOW/
BERKINSON/TUCKER/~~MEYER~~

Shaw, Bellinger

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TO: Corporate Management Committee DATE: November 25, 1992
FROM: Murray H. Bring *MB*
RE: Legal/Regulatory Compliance

Younis
Henderson
Reilly
BLP
Shaw
Young

As you know, Mike Miles recently distributed a memorandum which sets out Company policies regarding the resources which are necessary to attain compliance with the laws which regulate the Company's business activities. As Mike asked, I have now prepared the following recommendations which I believe will effectively implement the policy statement and thereby provide important legal benefits to the Company. I have developed these recommendations in conjunction with the operating company general counsels as well as the Legal Department's Compliance Task Force.

X First, it is important to communicate in writing to each of your direct reports the policies set out in Mike's memorandum and your commitment to those policies. I encourage you to discuss those policies and address any concerns which they may raise at staff meetings and other appropriate occasions. Moreover, all levels of your organization should be aware of the Company's strong commitment to compliance.

Second, I suggest that you ensure that all employees view compliance as a paramount business objective. For example, it would be useful to include in five year plans and similar documents an identification of compliance objectives and an outline of the measures which will be taken to achieve those objectives.

Third, I recommend that you include in original budgets line items for any expenses and headcount which are necessary to achieve compliance objectives. Moreover, ordinary budgetary constraints should not apply to appropriations for resources which are necessary to achieve compliance objectives. Nor should budget reductions affect funds or headcount which are already allocated to necessary compliance activities.

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* Fourth, I suggest that you notify all employees in your organization that a failure to request the funds or staff to correct a known deficiency, especially one which relates to health and safety, is cause for disciplinary action.

* Finally, I believe that it is useful to take account of compliance in conducting performance appraisals. For example, we would foster a stronger cultural commitment to compliance if employees are judged on such criteria as (i) adherence to compliance procedures, including the obligation to seek prior legal approval before engaging in certain activities; (ii) commitment to compliance education, such as arranging and attending seminars on the laws and regulations which affect the Company; (iii) adherence to policies regarding internal reporting of wrongdoing; and (iv) adherence to policies regarding document creation and retention.

In conclusion, I believe that the steps outlined above will be an integral part of the Company's efforts to maintain its excellent compliance record. I appreciate your assistance, and would welcome any comments or suggestions you may have.

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